Electronic Industries Alliance

2500 Wilson Boulevard
Arlington, Virginia 22201-3834
703-907-7500
fax 703-907-7514
www.eia.org

Testimony of Dave McCurdy, President and CEO
Electronic Industries Alliance
before the
Subcommittee on Environment and Hazardous Materials
United States House of Representatives
September 8, 2005

Introduction

Thank you Chairman Gillmor, Ranking member Solis and members of the Subcommittee. I am appearing today as the President and CEO of the Electronic Industries Alliance (EIA), an alliance of several major trade associations. EIA is the only organization that represents the full breadth and depth of the $400 billion U.S. high-tech and electronics industries. Our 1,300 member companies provide products and services ranging from microscopic electronic components to state-of-the-art defense, space and industry high-tech systems, as well as the full range of telecommunications, information technology and consumer electronics products. Dozens of our major manufacturers actively participate in EIA's Environmental Issues Council, which has led industry involvement on environmental priorities for well over a decade.

As the leading advocate of the high-tech and electronics industries, EIA appreciates the opportunity to provide the views of our membership concerning the end-of-life management of our products. In February of this year, EIA hosted a meeting with Chairman Gillmor and representatives of several of our key manufacturers to discuss the challenges and opportunities surrounding electronics recycling. We are pleased to see the active interest that the Chairman has taken in this matter, and we commend the Subcommittee for holding this hearing and advancing the dialogue on this important issue.

Industry Commitment

EIA and our member companies have been at the vanguard in taking action to support the safe and appropriate recycling of used electronics products to help meet the important environmental goal of resource conservation and recovery. As manufacturers, we recognize our key role in the process, and we will continue to work with Congress, federal agencies, the states and involved stakeholders to address this challenge.

The ongoing commitment of our member companies to product stewardship, environmental design and recycling can best be demonstrated by noting some of our industry's concrete achievements:

- Through a combination of direct corporate efforts and innovative partnerships – including the U.S. Environmental Protection Agency's Plug-in to eCycling campaign – EIA member companies have been involved in the proper recovery and management of well over two *billion* pounds of used electronics products. In addition, EIA member companies use significant quantities of recycled materials, including glass, metals and plastics, in new generations of their products, thus creating demand that helps sustain markets for these materials.

- EIA member companies are on target to be in compliance with the European Union Directive on the Restriction of Hazardous Substances (the RoHS Directive) when it takes effect next year. In fact, many of our companies have long-standing design-for-environment or product stewardship programs that pre-date the adoption of the RoHS Directive by years. Since EIA companies manufacture electronics products for global sale and distribution, consumers in the U.S. and in overseas markets alike enjoy broad access to products with the latest environmental innovations.

- In conjunction with our members, EIA has developed a consumer outreach program, known as the Consumer Education Initiative, to inform the public of the options available for electronics recycling. A website (www.eiae.org) directs consumers to updated recycling and reuse options available in local communities throughout the United States. The Consumer Education Initiative website now contains information on over 2,000 recycling opportunities nationwide.

Market Competition

Any discussion of electronics recycling must recognize the intense competitive pressures within our industry, and the potential impacts that any given recycling system could have on the competitive balance. As the U.S. Department of Commerce witness noted in the first part of this hearing, government decisions on electronics recycling can impact the market competitiveness of U.S. companies. EIA strongly agrees with this assessment. Our member companies are already facing unprecedented global competition, as the primary products contemplated under most electronics recycling approaches are increasingly treated by the market as commodities. Since margins are thin and producers depend on volume sales, any shift in the competitive playing field can have a direct and immediate impact on market share and the bottom line.

The EIA member companies, which include all the global brand-name manufacturers of these products, hold divergent views based in large part on their particular business models and corporate strategies. Specific factors include but are not limited to:

- Company size
- Number and types of product lines, and the comparative life-spans of their products
- Sales and distribution methods (i.e., traditional distribution and retail channels *versus* direct-to-consumer sales)
- Experiences and capabilities related to recycling
- Relative market share (i.e., current market share as compared to historical market share; business sales as compared to household sales)

Given this diversity of business models and capabilities, any particular funding approach may result in a competitive imbalance in this extremely competitive industry.

The competitive issues are intense enough between the EIA member companies. However, concerns over fair competition are significantly compounded due to the presence in the market of numerous small producers and generic-brand manufacturers that cannot necessarily be compelled to participate in a recycling program. These manufacturers fall predominantly into one of two groups: (1) small foreign producers that sell mostly low-end units into U.S. markets; and (2) the so-called "white box" manufacturers that produce and sell generic computers at retail or remotely via catalogs or the internet. While individual manufacturers in these categories are usually small, they nonetheless collectively represent a noteworthy segment of the overall market.

EIA member companies comply with existing state requirements, and will certainly step up and participate in any broader national system. The same cannot necessarily be said of "fly-by-night" companies that often frequently change brand names or sell products remotely into regulated markets. EIA members have significant doubts over whether individual states can take effective enforcement actions against these manufacturers to ensure they pay their fair share of recycling costs. This threatens to result in a competitive imbalance that will disadvantage legitimate producers. Consequently, any prospective recycling approach should strive to consider global competition and preserve market balance by applying equally to all producers, while also recognizing the important roles that many other stakeholders have to play in achieving a solution.

Shared Responsibility

Given the complex nature of the challenge, EIA supports efforts to establish a viable recycling infrastructure in which all the major stakeholders – manufacturers, retailers, government, non-governmental organizations (NGOs) and recyclers – participate based on their unique expertise and capabilities. The combined goal of these institutional stakeholders should be to develop a recycling infrastructure that is convenient for the residential consumer. Implementing a system

based on principles of shared responsibility will increase the efficient collection of electronics and ensure economies of scale by taking advantage of existing infrastructure. This existing infrastructure includes municipal waste collection systems and reverse distribution systems that rely on established product distribution and retail channels. Given that there is no true national or even regional collection and transportation infrastructure for electronics, making use of these systems is critical.

The vast majority of electronics products are sold through traditional distribution and retail channels. In general, manufacturers sell products in bulk to distributors, who sell them to retailers. Retailers in turn sell them to consumers through a network of thousands of retail locations. These products then have years of useful life, and are often re-sold, passed along to friends or family members, or donated to schools or charities. In most cases, manufacturers do not have a direct relationship with the end user at the time of initial sale, let alone years later when the product is ready to be placed into the recycling stream.

Given the way our products are manufactured, distributed and sold, it is clear that each stakeholder can and should bring its own strengths and capabilities to the table under a shared responsibility model. Manufacturers, for example, can best fulfill our role by continuing with our broad and successful efforts to design products that are lighter, more efficient, more environmentally-friendly, and easier to upgrade and recycle. We will also continue to participate as a key partner in efforts to develop a broader national approach to electronics recycling.

Retailers can likewise make unique contributions. Unlike any other stakeholder in the process, retailers have millions of face-to-face interactions with consumers every year. When consumers come into a retail store to purchase a new computer or television, it is often to replace an older unit that is ready to be collected and recycled. Many retailers have already participated in successful recycling events – often in partnership with manufacturers, NGOs and government – that include collecting used devices at retail locations. Because of their direct and special relationship with the public, their numerous stores and their existing transportation and distribution networks, retailers have a vital role to play.

For their part, recyclers need to provide their services in a safe, cost-effective and environmentally-sound manner. EIA is working with the U.S. EPA, recyclers and other stakeholders to help develop appropriate standards and a certification process for electronics recyclers.

Environmental Discussion

EIA believes it is essential to consider the science related to electronics products as part of any public policy discussion regarding recycling. Compounds such as lead and mercury are present in some electronics products because they provide clear safety, performance and energy efficiency benefits. As our industry and others have developed viable substitutes, manufacturers have successfully incorporated them into our products. However, these compounds cannot yet be replaced in all applications. For example, the RoHS Directive provides narrow exemptions

for specified uses of these materials to provide for product safety or energy efficiency, or when no technically or environmentally suitable alternatives exist.

Nonetheless, these compounds can and should be appropriately managed at the end of life. U.S. EPA shares this view, and has consistently stated that used electronics products, when properly managed, do not represent a human health or environmental concern. The agency considers electronics recycling as fundamentally a solid waste management and resource conservation issue. Likewise, our member companies recognize that reusing and recycling electronics at the end of life is the most environmentally preferable option, and we support reasonable efforts to develop the recycling infrastructure.

Market-Driven Achievements

As part of our commitment, producers acknowledge that we have a critical role to play in the process by continuously improving product design for environment and recycling. Our companies have consistently risen to that challenge. As a result of our members' abiding dedication to product stewardship and technological innovation, the high-tech and electronics industries continue to achieve significant and sustained environmental progress throughout the entire product lifecycle: from design, through beneficial use, to end-of-life.

It is also critical to emphasize that the competitive marketplace – not broad mandates and increased regulation – continues to be the primary driver behind these improvements. On the whole, every year our products become more energy efficient, use fewer materials of potential environmental concern, and become easier to upgrade, disassemble and recycle. This process of continuous evolution, driven by market demand and competition, can be readily observed by comparing today's products to similar products that were manufactured just a few years ago. These market-driven innovations on the production side directly translate into benefits for reuse and recycling. Given the intense market competition, manufacturers have a clear incentive to streamline and simplify product assembly to improve production efficiency. Not only does this make products easier to service during their useful lives, it also makes products easier to upgrade, disassemble and recycle at the end of life. Market competition and consumer demand will continue to drive our companies to make important innovations in product design, efficiency, performance and recycling.

Suggested Federal Role

Absent a consistent national approach to electronics recycling, manufacturers, retailers and recyclers will be confronted by an expensive, inefficient and unworkable confusion of state laws and regulations. If this state-by-state pattern continues, it will impose an enormous administrative and logistical burden on the system that will ultimately result in increased prices to consumers for new products.

There is clearly a role for the federal government to play in bringing national consistency to this emerging field. Federal action should strive to keep costs to consumers as low as possible, create

a level playing field for market participants, and ensure that products are being recycled in an environmentally sound manner. Federal action can also help promote safe and appropriate recycling by creating a streamlined and uniform regulatory framework that removes artificial barriers and instead encourages the free flow of used products for proper management. Specific steps include:

- Establishing consistent regulatory definitions of key terms, and strictly defining the scope of covered products through the application of fixed criteria;

- Considering the establishment of a flexible third party organization that can help with roles such as data reporting, compliance, and financing;

- Ensuring broad consistency in labeling, product information, and regulatory reporting requirements; and,

- Assessing whether additional recycling regulations or standards are necessary to ensure the safe and environmentally sound management of used electronics.

EIA and our member companies stand ready to work with the Subcommittee on these and other initiatives. Thank you again for the opportunity to share industry's position on this important issue. I would be pleased to respond to any questions.